CATTLE MARKETING DEDUCTIONS FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2006

Provincial Auditor Saskatchewan

1500 Chateau Tower
1920 Broad Street
Regina, Saskatchewan
S4P 3V2

SASKATCHEWAN

Phone: (306) 787-6398
Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet e-mail: info@auditor.sk.ca

2007-00160

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Cattle Marketing Deductions Fund as at March 31, 2006 and the statements of revenues, expenses and net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 18, 2006

Fred Wendel, CMA, CA
Provincial Auditor

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	Provincial Account		National Account		Federal Levies Account				Total	
					Provincial Federal Levies		National Federal Levies			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Financial Assets										
Due from General Revenue Fund (Note 7)	$ 5,369,225	$ 4,832,569	$ 447,491	$ 917,569	$ 42,424	---	$ 44,644	---	$ 5,903,784	$ 5,750,138
Accounts receivable	189,174	143,198	194,657	147,593	22,536	---	23,710	---	430,077	290,791
Accrued interest receivable	50,049	32,946	---	---	---	---	---	---	50,049	32,946
	$ 5,608,448	$ 5,008,713	$ 642,148	$ 1,065,162	$ 64,960	---	$ 68,354	---	$ 6,383,910	$ 6,073,875
Liabilities										
Grants payable	$ 144,892	$ 133,112	$ ---	$ 917,569	$ ---	---	$ ---	---	$ 144,892	$ 1,050,681
Accounts payable	43,372	26,803	447,491	---	42,424	---	44,644	---	577,931	26,803
	188,264	159,915	447,491	917,569	$ 42,424	---	$ 44,644	---	722,823	$ 1,077,484
Net financial assets (Statement 2)	$ 5,420,184	$ 4,848,798	$ 194,657	$ 147,593	$ 22,536	---	$ 23,710	---	$ 5,661,087	$ 4,996,391

(See accompanying notes to the financial statements)

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF REVENUES, EXPENSES AND NET FINANCIAL ASSETS
Year Ended March 31

	Budget	Provincial Account		National Account		Federal Levies Account				Total	
						Provincial Federal Levies		National Federal Levies			
	2006 (Note 5)	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Revenues											
Deductions (Note 1)	$ 1,400,000	$ 1,708,330	$ 1,419,976	$ 1,611,751	$ 1,419,976	$ 116,904	---	$ 116,904	---	$3,553,889	$ 2,839,952
Less: Commissions	(42,000)	(46,641)	(41,272)	---	---	(3,476)	---	---	---	(50,117)	(41,272)
Refund of deductions	(100,000)	(83,730)	(66,206)	---	---	---	---	---	---	(83,730)	(66,206)
Administration fee	---	---	---	---	---	(2,338)	---	---	---	(2,338)	---
Net deductions	1,258,000	1,577,959	1,312,498	1,611,751	1,419,976	111,090	---	116,904	---	3,417,704	2,732,474
Interest (Note 7)	150,000	149,713	108,026	---	---	---	---	---	---	149,713	108,026
Other Revenue	---	---	477	---	490	---	---	---	---	---	967
Total revenue	1,408,000	1,727,672	1,421,001	1,611,751	1,420,466	111,090	---	116,904	---	3,567,417	2,841,467
Expenses											
Grants	900,000	1,124,440	952,857	399,683	1,459,104	---	---	---	---	1,524,123	2,411,961
Administration (Note 3)	25,500	25,000	15,542	---	---	---	---	---	---	25,000	15,542
Advisory committee honoraria and travel	2,500	6,485	3,567	---	---	---	---	---	---	6,485	3,567
Transfers to Canadian Beef Cattle Research, Market Development and Promotion Agency	---	---	---	1,165,004	---	88,554	---	93,194	---	1,346,752	---
Other	---	361	---	---	---	---	---	---	---	361	---
Total expenses	928,000	1,156,286	971,966	1,564,687	1,459,104	88,554	---	93,194	---	2,902,721	2,431,070
Surplus (deficit) for the year	$ 480,000	571,386	449,035	47,064	(38,638)	22,536	---	23,710	---	664,696	410,397
Net financial assets, beginning of year		4,848,798	4,399,763	147,593	186,231	---	---	---	---	4,996,391	4,585,994
Net financial assets, end of year (Statement 1)		$ 5,420,184	$ 4,848,798	$ 194,657	$ 147,593	$ 22,536	---	$ 23,710	---	$ 5,661,087	$4,996,391

(See accompanying notes to the financial statements)

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

	2006	2005
Cash flows from (used in) operating activities:		
Receipts from deductions	$ 3,362,148	$ 2,875,770
Interest received	132,610	102,700
Payments to suppliers	(30,135)	(19,109)
Grant/Transfer payments	(3,242,105)	(1,642,958)
Refunds paid	(68,872)	(81,490)
Cash flows from operating activities	153,646	1,234,913
Net increase in cash and cash equivalents	153,646	1,234,913
Due from General Revenue Fund, beginning of year	5,750,138	4,515,225
Due from General Revenue Fund, end of year	$ 5,903,784	$ 5,750,138

(See accompanying notes to the financial statements)

CATTLE MARKETING DEDUCTIONS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2006

1. Legislative Authority

The Cattle Marketing Deductions Fund (Fund) continues under *The Cattle Marketing Deductions Act, 1998* (Act). The Act established two accounts, the Provincial Account and the National Account. In 2005, the Act was amended to set up a Federal Levies Account and recognized a promotion-research agency the Canadian Beef Cattle Research, Market Development and Promotion Agency (Agency).

Effective August 1, 2005, Saskatchewan signed an agreement with the Agency to allow the collection and remittance of funds from the National and Federal Levies Accounts. This agreement also allows the Agency to return Saskatchewan's portion of the federal levies collected in other provinces. These are deposited to the Provincial Account.

The purpose of the Provincial Account is to fund programs, projects, and policies related to the development, improvement and promotion of the cattle industry and to pay expenses incurred in the administration of the Act.

The purpose of the National Account is to provide funds to the Agency for the development, expansion, and promotion of the cattle industry. Until August 1, 2005, when the new agreement became effective, the Minister of Agriculture and Food (Minister) provided grants for promotion and research, through negotiated agreements, to organizations that represented the national interests of the cattle industry.

The purpose of the Federal Levies Account is for depositing levies imposed pursuant to a federal levies order and allowing those levies to be remitted to the Agency.

The Fund has an Advisory Committee, appointed by the Minister that approves all grant payments.

Pursuant to section 3 of *The Cattle Marketing Deductions Regulations, 2004*, $2.00 per head is to be deducted or collected for each head of cattle sold. Livestock dealers receive a commission of $0.03 per head. The National Account and the National Federal Levies portion of the Federal Levies Account receive $1.00 a head without any deduction for the dealer's commission.

Section 12 of the Act provides for the refund of deductions received by the Provincial Account only. Any person may claim a refund of deductions for a calendar year by filing a claim by January 31 of the following year.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The following accounting policies are considered significant.

a) Revenue

Deductions revenue and related commissions are recognized when the cattle are sold.

Refunds of deductions are recognized when the refund application is approved by the Department of Agriculture and Food.

b) Grants

Grants are recorded when approved and when the eligibility criteria, if any, have been met by the recipient.

c) Grant refunds

Occasionally, grant recipients voluntarily return unused grant funds. Grant refunds are recorded as revenue when received.

3. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan.

The Livestock Services Revolving Fund provided administrative services to the Fund for an annual fee of $25,000 (2005 - $15,000).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

4. Commitments

At year end, the Fund's Advisory Committee had approved grants from the Provincial Account totalling $1,322,876 (2005 - $898,142) for projects of the following years.

2007	$1,137,619
2008	$ 185,257

Also, the Fund is committed to pay any monies in the National Account to the Canadian Beef Cattle Research, Promotion and Marketing Development Agency.

5. Budget

The Advisory Committee approved the 2006 budget for the Provincial Account on January 21, 2005.

6. Financial Instruments

Accounts receivable, accrued interest receivable, grants payable, and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair values of these instruments approximate their carrying values.

The Fund is exposed to credit risk from potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year-end, reducing its credit risk.

7. Due from General Revenue Fund

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Provincial Account on a quarterly basis. The Government's average thirty-day borrowing rate for 2006 was 2.82% (2005 – 2.19%).

CATTLE MARKETING DEDUCTIONS FUND
DETAILED LIST OF EXPENSES (UNAUDITED)
Year Ended March 31

	2006	2005
Personal Services		
Payees under $50,000	$ 1,912	$ 1,125
Travel		
Other	4,573	2,442
Grants		
Canadian Cattlemen's Association:		
National Beef Information Centre	199,842	729,552
Beef Cattle Research Council	39,968	145,910
Operating Expenses	224,494	225,275
Special Assessment	323,190	---
University of Saskatchewan:		
Veterinary Infectious Disease Organization	205,000	205,000
Project Funding	43,000	58,600
Western Beef Development Centre	---	100,000
Canada Beef Export Federation	159,873	583,642
Canadian Beef Cattle Research Development	1,346,752	---
Saskatchewan Meat Processors Association	500	---
Farm Animal Council of Saskatchewan	10,000	15,345
Saskatchewan Cattle Feeders' Association	90,220	128,025
Saskatchewan Stock Growers' Association	112,500	190,612
National Holstein Convention	---	5,000
Saskatchewan Society for Prevention of Cruelty to Animals	31,500	25,000
Saskatchewan Beef Quality Starts Here Program	84,036	---
	2,870,875	2,411,961
Supplier Payments		
Payees under $50,000	25,361	15,542
Total	$ 2,902,721	$ 2,431,070